



**Preston  
Rowe  
Paterson**

International  
Property Consultants  
and Valuers



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# Property Market Report

## New South Wales

## Q2 2019

## Highlights

**Parramatta Office Market has one of the country's lowest Vacancy rates**  
2.7% as of July 2019

**Sydney Housing Market decline appears to have slowed**, to -0.4% over Q2 2019, following the -3.1% fall over the Q1 2019.

**Sydney CBD Office Market near record low premium grade vacancy rates of 3%**, expected to continue until large supply projects complete in 2020.

**Sydney Industrial Market, one of the strongest performers**, driven by growing online retail sector, tight labour market and the record infrastructure spending.

**Traditional Australian Retailers are adapting**, owning 9 of the Top 10 most visited Shopping Websites



## Cash Rates (%)

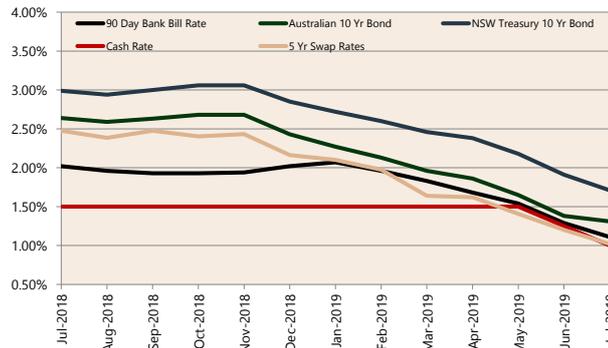
**1.0 1.25 1.5**

Aug 2019 June 2019 Aug 2018

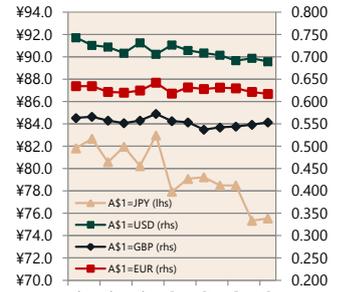
## Consumer Price Index Australian All Groups\*



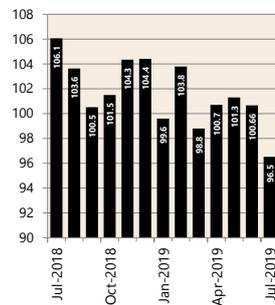
## Interest Rates



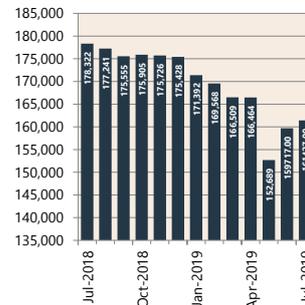
## Exchange Rates (per \$A)



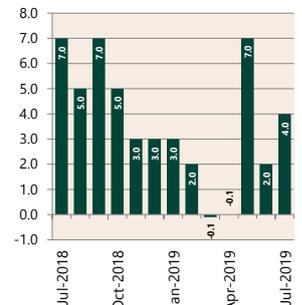
## Westpac - Melbourne Institute Consumer Sentiment Index



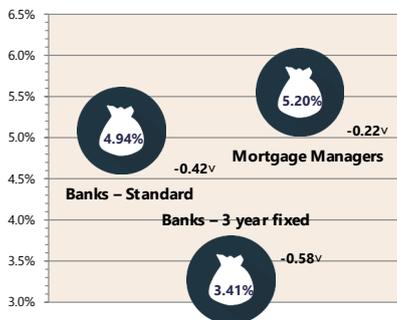
## ANZ Job Series (Newspaper and Internet Job Ads)\*\*



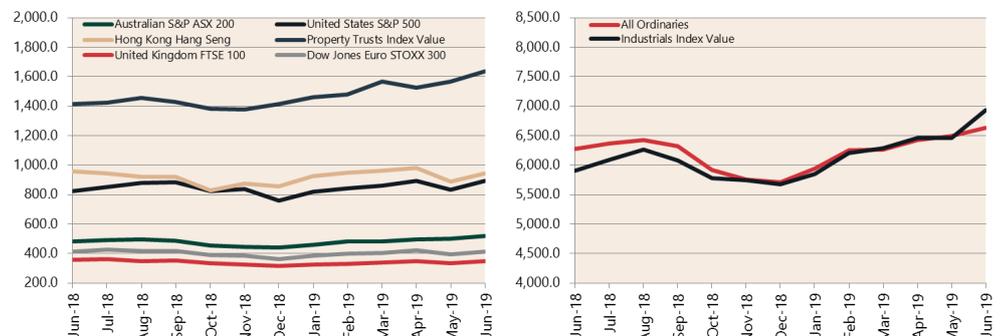
## NAB Business Confidence Index\*\*\*



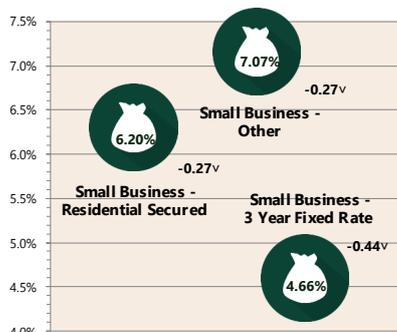
## Housing Loan Lending Rates Indicator



## Share Prices and Indices



## Business Loan Lending Rates Indicator

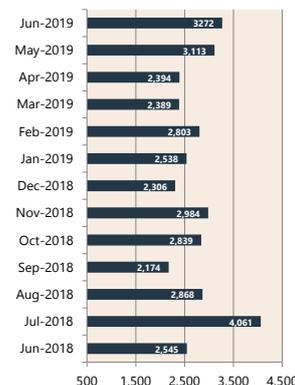


## Private Sector Dwelling Approvals & Investment

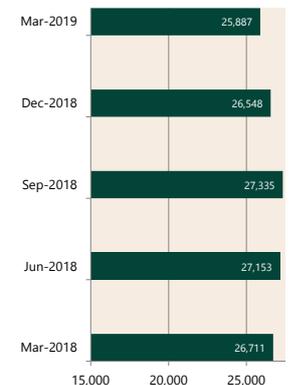
### Dwelling Approvals (monthly)



### Non-Residential Approvals \$m (monthly)



### Dwelling Investment \$m (quarterly)



<sup>^</sup> percentage change from previous quarter

\* Based on ABS CPI released 31 July 2019

\*\* Based on ANZ Job Advertisement Series released 6 August 2019

\*\*\* Based on NAB Monthly Business Survey released 13 August 2019

# Date of Publication figures based on those available at 14 August 2019

# Office Market

## Sydney CBD

### Supply and Withdrawals

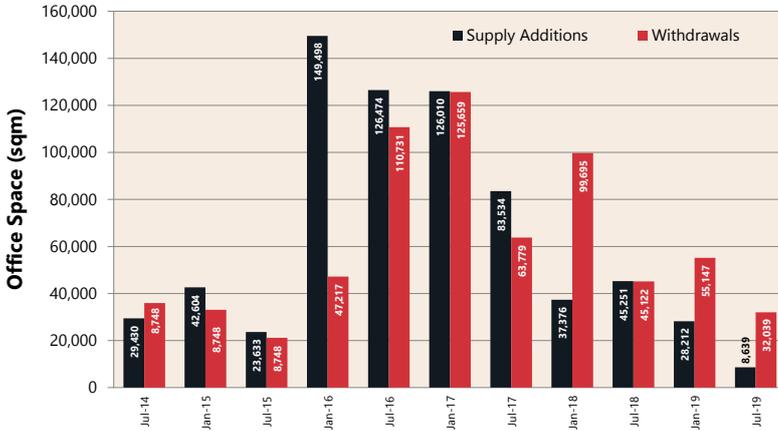


Chart 1— Sydney CBD Office Supply and Withdrawals  
Source: PCA / Preston Rowe Paterson Research

### Tenant Demand & Vacancy Rates

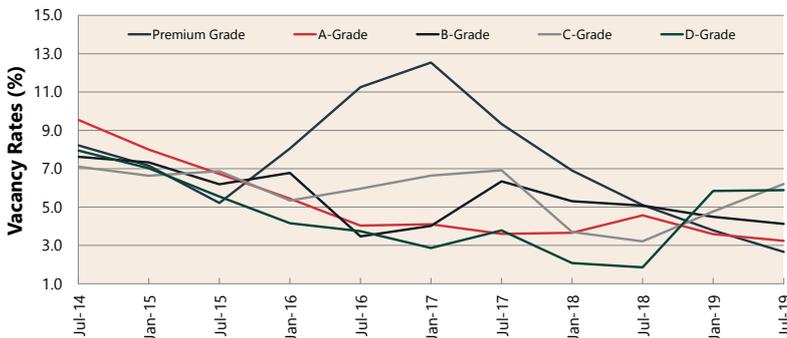


Chart 2— Sydney CBD Office Vacancy Rate  
Source: PCA / Preston Rowe Paterson Research

### New Developments

Project	Stage of Development	Owner	Net Lettable Area (SQM)	Completion Date
275 George Street	Construction	Daibiru Corporation	7263	Q3 2020
60 Martin Place	Construction	Investa Property Trust/Gwynvill Group	40,000	Q3 2019
Wynyard Place	Construction	Sovereign Wynyard Centre Pty Ltd	68,000	Q3 2020
Quay Quarter Sydney/AMP Precinct	Construction	AMP Capital (66.66%) / Rest (33.33%)	88,274	2021+
Central Park	Complete	Frasers Property Gorup / Sekisui House Australia	5,447	Q2 2019
Darling Park Tower 4	DA Approved	GPT Group (50%) / AMP Capital	60,000	Mooted
210 George Street	Site Works	Poly Australia	16,500	2021+
Circular Quay Tower	Site Works	Lendlease	55,000	2021+
Polding Centre	DA Applied	Sydney Catholic Archdiocese	4080	2021+
Daramu House	Construction	Lendlease	10,000	Q4 2019
Kindersley House	DA Approved	Investa + Ausgrid	24,000	Mooted
Bligh House	DA Applied	SC Capital Partners Group	10,000	Mooted

Chart 3— New Office Developments in Sydney CBD  
Source: PCA / Preston Rowe Paterson Research

The number of withdrawals in the Sydney CBD office continue to outweigh additions over the six months to July 2019; down to 32,039 sqm from 55,039 sqm recorded over the half year to Jan 2019. Withdrawals made over the period are mainly along Pitt St, including the full refurbishment of Telstra Plaza North (7,664 sqm) and the partial refurbishment of Sydney Central (4,195 sqm). Meanwhile, 10,082 sqm was withdrawn due to the demolition of Bligh House for a \$312mil hotel and office redevelopment.

On the other hand, supply additions over the half-year period totalled to only 8,639 sqm, down from the 28,212 sqm recorded over the previous half-year period. However, large supplies of new office developments in the city core are mooted or due for completion from 2020 to 2021+, which is expected to stabilize both yields and vacancy rates. This includes 131,518 sqm by the end of 2020 at 44.28% pre-commitment, and an additional 204,082 sqm in 2021+ at 34.73% pre-commitment.

The Sydney CBD office vacancy continues to decline with overall vacancy declining by -0.3% to 3.5% and premium grade at a near record low of 3.0%. The continued decline was primarily due to limited stock as a result of the high stock withdrawal for refurbishment or redevelopment. Vacancy rates are expected to continue declining with new additions in the next twelve months to be mostly pre-committed; this is expected up until 2021+ when large supply projects start to come online. While, leasing conditions in the area may remain positive, however, appear to be slowing.

### Stock by Grade

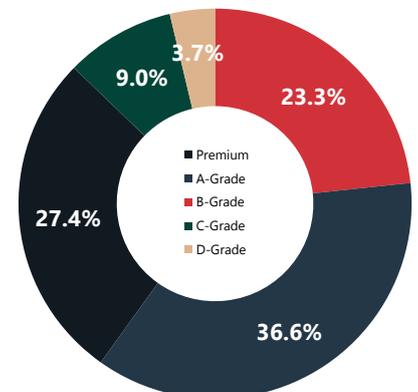


Chart 4— Sydney CBD Office Stock by Grade  
Source: ABS / Preston Rowe Paterson Research

## Investment Activity

### 100 Market Street and 75 & 85 Castlereagh Street, Sydney NSW 2000



\$1.52 billion

*Scentre Group*, Australia's largest retail landlord has offloaded three office towers above Westfield Sydney to US private equity giant *Blackstone*. The properties have been acquired by way of a 299 year leasehold interest, Scentre Group will use the funds to pay back debt and purchase \$800 million worth of SGC securities in an effort to increase return on equity while maintaining a strong balance sheet. The security buyback program will commence after the 2019 Half Year Results announcement. It is understood the sale itself represented a 10% premium to its book value. 85 Castlereagh Street was completed in 2011 and is anchored by **JP Morgan**. The property is located within the Sydney CBD's city core precinct.

### 25 King Street, Sydney NSW 2000



\$16 million

\$16,512 per sqm lettable area

Shanghai-based property group, *Dahua Group* has sold a vacant three storey office building. The heritage listed property sits on a 278sqm site and comprises 969sqm of net lettable area. A full restoration to the heritage building was commenced in late 2016 and was completed by August 2017. The property has stood vacant for the past eight years after previously being occupied by the Bank of NSW. Improvements include a selection of open workspaces, function areas, timber and stone floors. The property is located on the corner of King and Sussex Street.

### 117 Harrington Street, The Rocks NSW 2000

\$21.05 million

5.25% Yield

\$14,993 per sqm lettable area

Fund manager *Sumner Capital* has sold its leasehold interest in a six-level, heritage listed office building to *Terraform* on an initial 5.25% yield. The property is held through a 99-year ground lease to the *Sydney Harbour Foreshore Authority*. The building, which was refurbished in 2007 sits on a 278 sqm landholding and has a 2.5-year weighted average lease expiry. The property, which sold through an expression of interest campaign, comprises 1,404 sqm of net lettable area.

## Leasing Activity

### 261 George Street, Sydney NSW 2000



\$52,500 gross p.a

2 Years

\$700 per sqm lettable area p.a

*Bond Street Italian Restaurant* has leased 75 sqm of office space from *Dubey Capital Investments* to operate the groups Matteo restaurant's back-of-house operations. The unit is located in a nine-level commercial building in close proximity to Wynyard Station.

### Level 2, 332 Kent Street, Sydney NSW 2000

\$950 gross psm

6 Years

\$342,000 p.a.

*Into Travel* has secured a six year lease for 360 sqm of a restored warehouse style office space and will become an upgrade for the travel business. The building offers all new services including air conditioning, lifts, exposed ceilings and abundant natural light.

## Sydney North Shore

### North Sydney

North Sydney office stock grew by 23,457 sqm from the six months to July, mainly due to the completion of 100 Mount St, which brought online 42,000 sqm, with a majority of that space pre-committed.

Meanwhile, 19,699 sqm of office space was withdrawn over the period for a full refurbishment at 73 Miller St (13,791 sqm) and a conversion to Residential/Retail at Northside Gardens (5,980 sqm).

### Crows Nest/St Leonards

The latest Property Council of Australia's office market review noted that Crows Nest and St Leonard's office market stock remained relatively the same, adding only 746 sqm over the six months to July 2019 to 307,627 sqm. This is after continuous stock withdrawals since January 2013, which has seen a total of 60,696 sqm of office space withdrawn to July 2019. Crows Nest and St Leonard's overall office vacancy declined over the period by -0.7% to 6.3%.

### Chatswood

The Chatswood office market stock remained at relatively the same with a withdrawal of 941 sqm to 277,978 sqm after six consecutive semi-annual periods of the unchanged office supply; while the only anticipated new development, Cromwell Corporation's Plaza Building (3,000 sqm), is to be completed in the third quarter of 2020. The Chatswood office market overall continues to tighten, vacancy rates declined by -0.5% to 5.7% over the six month period to July 2019, while A Grade Vacancy rates declined -0.3% to 3.6%, indicating an undersupply of primary offices in the area.

### Investment Activity

#### 821 Pacific Highway, Chatswood NSW 2067



\$438.2 million



6-6.5% Yield



\$9,869 per sqm lettable area

The Zenith Centre, consisting of two office buildings in Sydney's north shore has sold to US fund manager *Starwood Capital* and joint venture partners *Arrow Capital Partners*. Vendors; *Centuria* and *Blackstone* sold to property on a 6 to 6.5% yield after acquiring the towers in 2016 for \$279 million. The two 21-storey A-grade office towers are fully let to **Property NSW, Commonwealth Government of Australia, Lendlease and Sage** on a weighted average lease expiry of 4.3 years. Combined the two towers' total 44,400 sqm of net lettable area and 785 car spaces. The sale represents a record price for an office asset outside of the Sydney CBD and the strength of Sydney's office market.

### Total Office Stock by Precinct

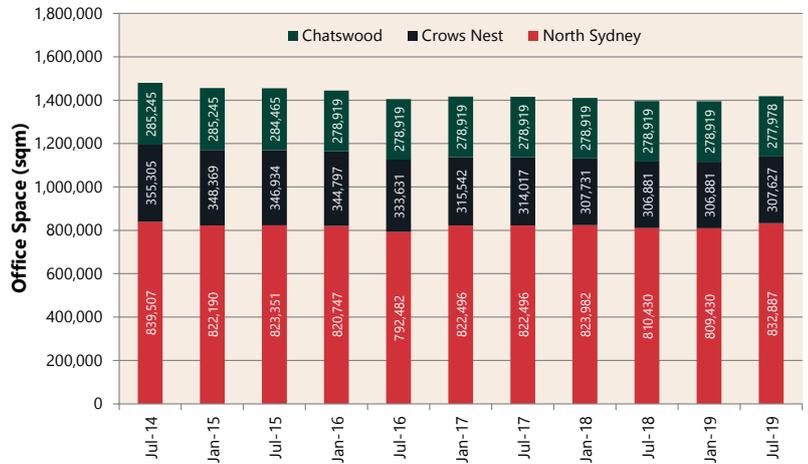


Chart 5— Sydney North Shore Total Office Stock by Precinct  
Source: PCA / Preston Rowe Paterson Research

### A Grade Vacancy by Precinct

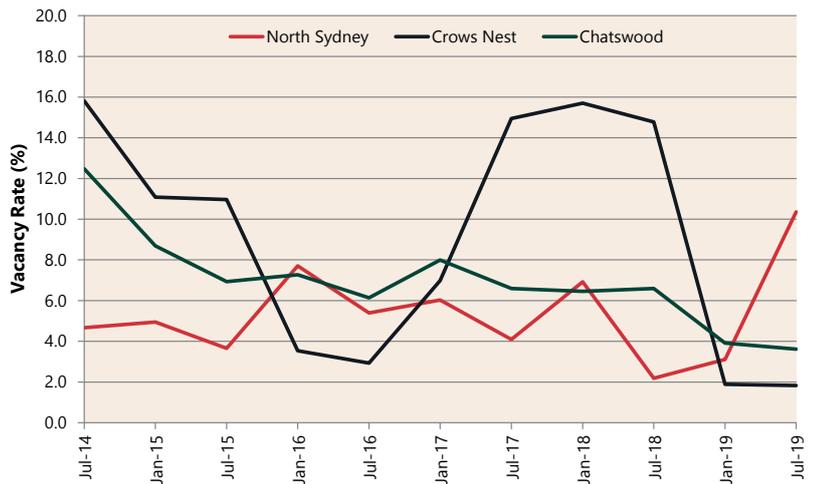


Chart 6— Sydney North Shore A Grade Office Vacancy by Precinct  
Source: PCA / Preston Rowe Paterson Research

### Leasing Activity

#### 55 Kirby Street, Rydalmere NSW 2116



\$99,900 gross p.a



3 Years



\$222 per sqm lettable area p.a

*Head 2 Toe Family Health* has agreed to lease 450sqm of office space from *Fife Capital*. Located on the ground floor of the commercial building, the family health business will lease the property for a period of three years. Rydalmere is located 21km north-west of Sydney's CBD.

## Parramatta/Macquarie Park

### Parramatta

The total stock of the Parramatta office market remained at 719,547 sqm over the 6 months to July 2019. Although no supply change occurred over the period, there is an expected 72,400 sqm of new office supply to be completed by 2020 at 82.32% pre-commitment. Indicating strong demand for the office space in the city.

Vacancy rates in Parramatta decreased to one of the lowest rates in the country to 2.7% over the half year to July 2019 from the 3.0% recorded in Jan 2019. Although, there may be a supply risk in the medium term due to the back fill of new construction and mooted projects, the current level of pre-commitments indicate demand remains strong.

### North Ryde/Macquarie Park

The total stock in the North Ryde/Macquarie Park office stock has remained at 859,034 sqm over the half year to July 2019. With no additions or withdrawals during the first half of the year, total market vacancy rates remained at 4.9%, whilst A Grade office vacancy experienced a slight 0.2% increase to 3.8%. Looking ahead, North Ryde/Macquarie Park should see increasing change in 2020, as 49,874 sqm of new office space is due to be completed with 72.18% already pre-committed, from 45 Waterloo Rd (35,000 sqm) and 95 Waterloo Rd (14,874 sqm). Moreover, a remaining mooted supply, if realised, will add 184,456 sqm to the market.

### Total Office Stock by Precinct

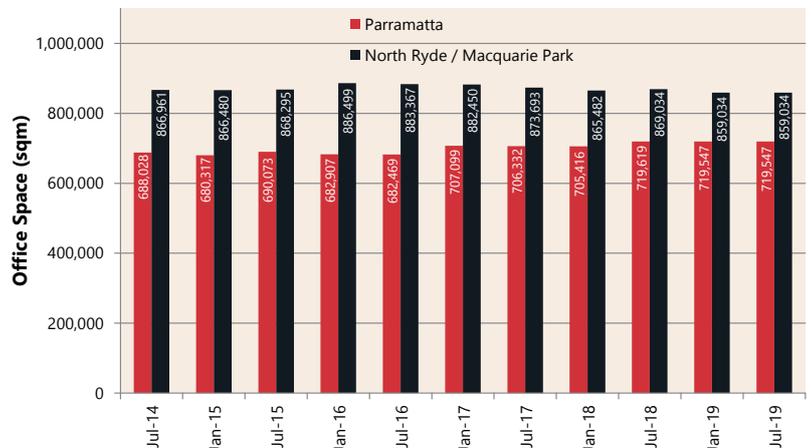


Chart 7— Sydney Western Corridor Total Office Stock by Precinct  
Source: PCA / Preston Rowe Paterson Research

### A Grade Vacancy by Precinct

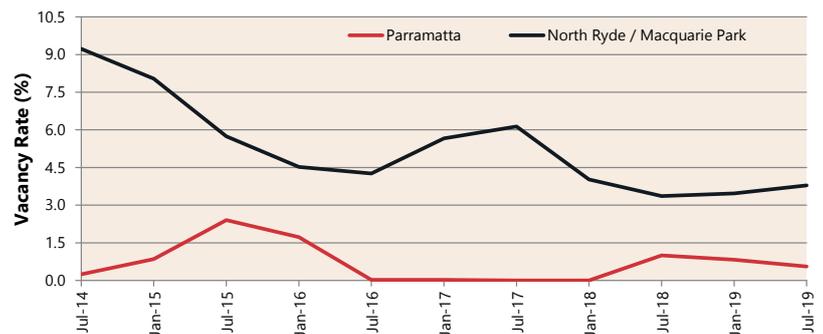


Chart 8— Sydney Western Corridor A Grade Office Vacancy by Precinct  
Source: PCA / Preston Rowe Paterson Research

### New Developments

Project	Market	Stage of Development	Owner	Net Lettable Area (SQM)	Completion Date
Royal North Shore Hospital— Southern Campus	Crows Nest/St Leonards	Construction	NSW Department of Health	27,000	Q4 2020
88 Christie	Crows Nest/St Leonards	DA Applied	JQZ Pty Ltd	22,000	2021+
100 Mount Street	North Sydney	Complete	Dexus Property Group	42,000	2019
Shopping World Site	North Sydney	Construction	Winten Property Group	63,000	Q4 2020
118 Mount Street	North Sydney	Construction	Zurich Australia Ltd	20,000	Q4 2020
11 Talavera Road	Macquarie Park	DA Approved	Goodman	24,000	Mooted
45 Waterloo Road	Macquarie Park	Construction	John Holland	35,000	Q2 2020
8-12 University Avenue	Macquarie Park	DA Applied	N/A	50,000	Mooted
95 Waterloo Road	Macquarie Park	DA Approved	N/A	14,874	Q4 2020
31-35 Epping Road	Macquarie Park	DA Applied	Harvey Norman Group	14,477	Mooted
Cnr Lane Cove Road & Waterloo Rad	Macquarie Park	DA Applied	Frasers Property/Winten Property Group	45,000	Mooted
6 Hassall Street	Parramatta	Site Works	Charter Hall/Western Sydney University	28,000	2021+
50 Macquarie Street	Parramatta	DA Applied	G & J Drivas Pty Ltd	25,222	2021+
Argyle Tower	Parramatta	DA Applied	Scentre Group	112,000	Mooted
Parramatta Square (Stage 4)	Parramatta	Construction	Parramatta City Council	64,000	Q4 2019
Parramatta Square (Stage 3)	Parramatta	Construction	Parramatta City Council/Walker Corporation	46,000	Q3 2020
32 Smith Street	Parramatta	Construction	The GPT Group	26,400	Q4 2020
140 George Street	Parramatta	DA Approved	Dexus	45,700	2021+

Chart 9— Sydney North Shore and Western Corridor New Office Developments  
Source: PCA / Preston Rowe Paterson Research

# Retail Market

The NSW retail turnover declined over the quarter of June 2019 by -0.27%, however year on year turnover still recorded an increase of 0.64%. The decline in retail turnover over the quarter mainly effected by Household goods (-2.66%), Food Retailing (-0.77%), Restaurants (-0.53% and Clothing, Footwear (-0.41%).

Despite sluggish household spending, the Sydney CBD retail market has performed well over the quarter; supported by a tourism boom that in particular, has helped to support Sydney's luxury retailers. Tourism Research Australia says the city is the most popular destination for tourists; receiving in 2018, nearly 4.1 million international visitors, who in total spent \$9.7 billion, up 4.9% year on year. While there are still challenges for the Australian retail property market, particularly from the growing online market, certain demand continues to be generated by a growing population and attractive yields relative to other investment markets.

**NSW Year on Year Retail Turnover by Sector**

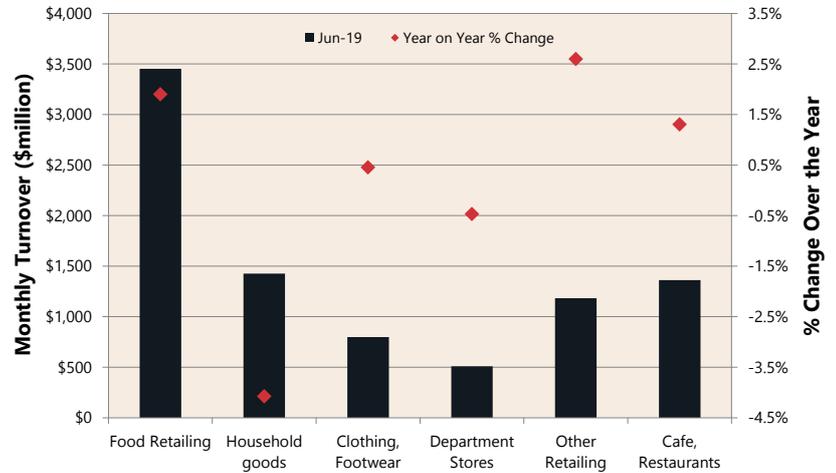


Chart 10— NSW Year on Year Retail Turnover by Sector  
Source: ABS / Preston Rowe Paterson Research

## Investment Activity

### 100 Burwood Road, Burwood NSW 2134



\$575 million (50% Stake)

Below 5% Yield

The *Perron Group*, founded by late Perth billionaire Stan Perron has acquired a 50% stake in **Westfield Burwood** on a yield below 5%. The deal struck with *Scentre Group*, represents a long standing joint venture relationship between the two firms, which extends to joint half stakes in Westfield Woden in Canberra, Westfield West in Melbourne and Westfield Geelong in Victoria. Westfield Burwood is regarded as one of the top performing retail assets in Australia with customer visitation of more than 14 million per annum and total retail sales close to \$500 million. Scentre will initially use the proceeds of the deal to pay off debt and pursue further strategic objectives.

### 1 Rockdale Plaza Drive, Rockdale NSW 2216



\$142 million

6.25%

*Charter Hall Retail REIT* has acquired **Rockdale Plaza** in Sydney's south from private property group *City Freeholds*. The Charter Hall fund has been divesting smaller retail assets to free up funds to shift the portfolio to convenience-based supermarket anchored malls. Charter Hall singled out the malls 98% occupancy rates as a key driver in the funds acquisition of the property. Of the total income, more than half is underpinned by major tenants such as **Woolworths, Big W and Aldi**. Rockdale is located 12km south of the Sydney CBD.

## Online Retail

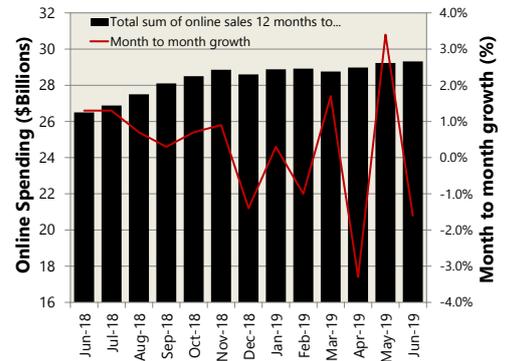


Chart 11— Online Retail Sales Index  
Source: NAB / Preston Rowe Paterson Research

The NAB Online Retail Sales Index contracted -1.6% over the month to June 2019, down from a 3.4% increase in May, however, year on year, the index still grew only 0.5%. Looking through month-on-month, sales growth remains positive but has slowed remarkable compared to the same time in 2018. NAB indicated that \$29.32 billion was spent online over the last twelve months, equivalent to just over 9% of spending at traditional retailers (ABS, May 2019). Additionally, we're also seeing the transformation of traditional retailers themselves; as a study by Cuponation reveals 9 out of the top 10 most visited Australian shopping websites in 2018 belong to traditional bricks and mortar retailers.

# Industrial Market

The Sydney industrial market continues to be one of the strongest performing markets. Key drivers over the quarter are the growing online retail sector, tight labour market and the record infrastructure spending. The positive conditions have raised land values, and tightened yields to record lows; while low vacancy is pushing up rental growth as well.

## Investment Activity

### 300 Manchester Road, Auburn NSW 2144



\$94.2 million

\$668 per sqm site area

Mirvac has acquired a 14.11 hectare industrial site in Sydney's west from private property group Payce. In conjunction with Payce, Mirvac will look to lodge development plans for a \$250 million industrial estate and logistics hub. Situated close to the Auburn town centre and major arterials such as the M4, the prospective facility will look to cater e-commerce businesses by offering flexible warehouse and office space. Auburn is located 18 km west of the Sydney CBD.

### 1 Eucalyptus Place, Eastern Creek NSW 2766



\$99.6 million

\$2,846 per sqm lettable area

Swiss Pillar Investments, a subsidiary of Swiss Re has acquired a 35,000 sqm distribution facility from embattled furniture retailer Steinhoff. The global reinsurance giant bought the property after Steinhoff had been engulfed in a massive accounting fraud and was seeking to shore up its balance sheet. At just under \$100 million the deal represents one of the largest individual warehouse sales of the year in New South Wales. Eastern Creek is located 35km west of the Sydney CBD.

## Leasing Activity

### 2 Tyrone Place, Erskine Park NSW 2759

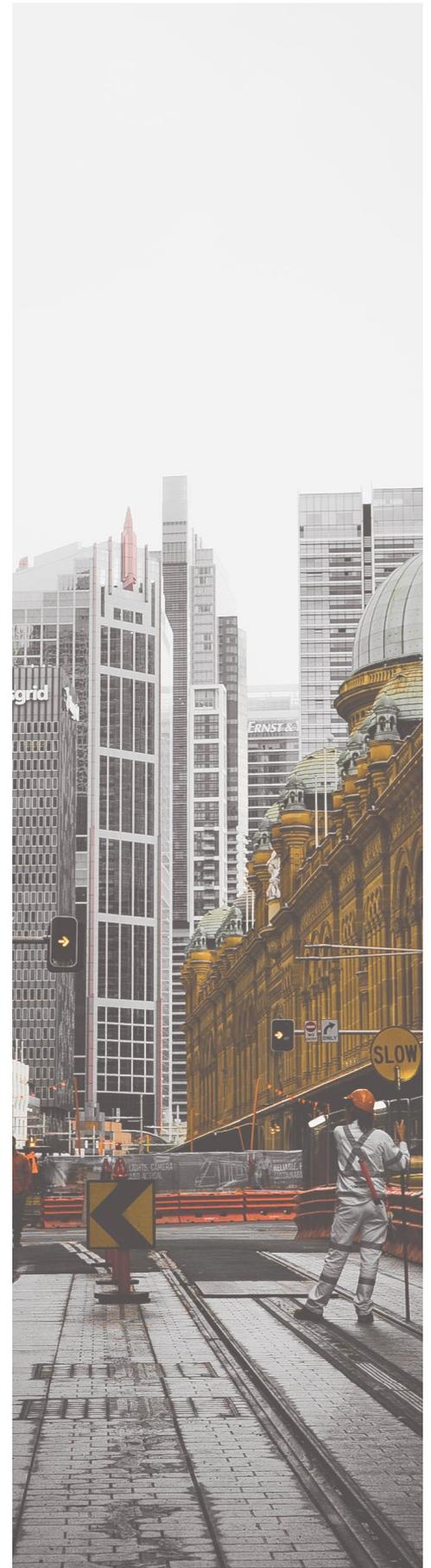
\$122.5 net per sqm lettable area

5 Years

\$2,589,895 p.a.



Singapore based industrial landlord Ascendas-Singbridge has secured a new tenants for its 21,142 sqm distribution centre in Sydney's west. The property features a 9.6-11.6 metre internal clearance, B Double access, access via 10 docks and 11 on-grade doors and a 40 sqm concrete hardstand. Erskine Park is located 42 km west of the Sydney CBD.



# Residential Market

## Building Approvals

The total building approvals in Greater Sydney fell by -27.13% over the month to June 2019, to 2,643 approvals. This figure indicates a decline of -13.20% over the quarter and -40.31% year on year. The slowdown in building approvals was caused by declining investment sentiment in the residential market especially for dwelling units, which has also been exacerbated public concerns of industry-wide defective units and combustible cladding. Approvals for dwelling units declined -35.18% (to 1,443 approvals) in the month to June 2019 whilst approvals for houses declined -14.35% (to 1,200 approvals) over the same period. Nonetheless, year on year, both approvals for houses and units declined by -23.57% and -49.51% respectively. The substantial decline in dwelling approvals particularly for units indicates the end of Sydney's residential construction boom. However, there is still a high number of dwelling construction around Greater Sydney already in the pipeline to be completed in the short to medium term.

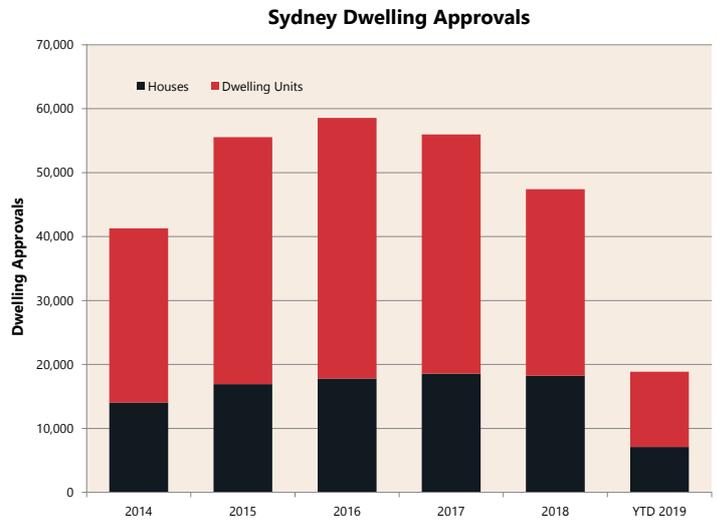


Chart 12— Sydney Dwelling Approvals  
Source: ABS / Preston Rowe Paterson Research

## Greater Sydney

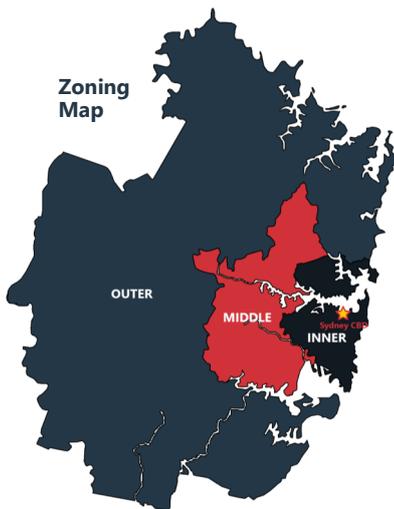


Chart 13— Greater Sydney Residential Zoning Map  
Source: Preston Rowe Paterson Research

### Market Affordability

Median house prices in Sydney continues to soften over the June quarter 2019, although the rate of decline appears to be slowing as noted by REIA's real estate market facts. Sydney's overall median house price declined only -0.4% to \$1,032,300 over the June quarter, following the -3.1% fall over the March 2019 quarter. The year on year figures show that Sydney's median house price fell -9.1% over the year to June 2019, representing an overall decline, however the market appears to be reacting after the two back to back interest rate cuts by the Reserve Bank.

Both Sydney's middle and outer areas saw median house prices increase slightly by 0.9% and 0.8% over the quarter to \$1,780,000 and \$736,000 respectively, but a yearly decline of -10.8% and -5.9%. Inner Sydney declined by -1.1% to \$1,780,000, softer compared to the -2.1% over the March Quarter.

As for units, Middle Sydney fell furthest through the quarter, falling by -2.5% to \$650,000, followed by Inner Sydney areas by -0.6% (to \$855,000), while Outer Sydney median unit price remained at \$688,000 over the June Quarter.

### Median House Price by Zone over June Quarter 2019

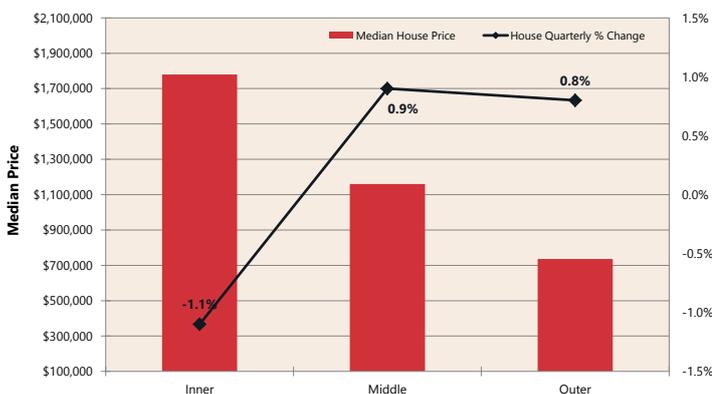


Chart 14— Greater Sydney Median House Price  
Source: REIA / Preston Rowe Paterson Research

### Median Unit Price by Zone over June Quarter 2019

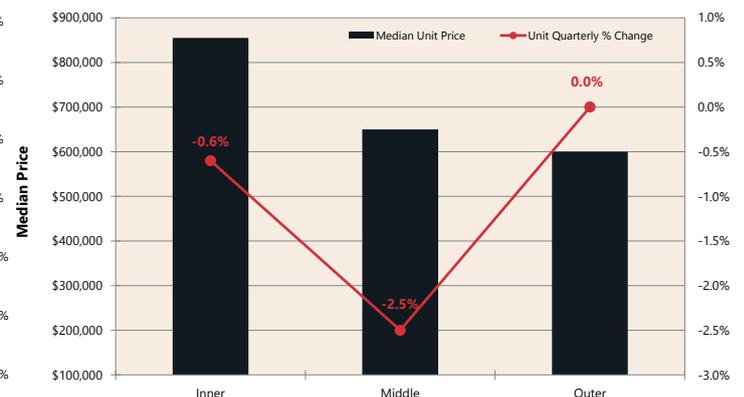


Chart 15— Greater Sydney Median Unit Price  
Source: ABS / Preston Rowe Paterson Research

## Rental Market

Over the June 2019 quarter, the median rent price for houses in Sydney saw an overall decline. Sydney's inner areas remained unchanged over the quarter with both 2 and 3 bedroom houses recording a weekly \$380 and \$720 respectively. This is followed by Sydney's outer areas with a quarterly decline of -1.3% to \$375 a week, with Middle Sydney being the worst performer amongst all three zones for 2 bedroom houses, recording an -2.0% decline over the quarter to \$480 rent per week.

The three bedroom house category in Sydney remained quite flat. Both Inner and Outer Sydney recorded an unchanged weekly median rent price to \$950 and \$450 respectively over the quarter whilst 3 bedroom houses in middle Sydney median rent decreased -0.8% to \$595 per week.

## Vacancy Rates

The overall residential vacancy rate in Sydney increased by 0.1% to 3.5% over the month to June 2019. The vacancy of all zones in Sydney increased year on year. The highest incline was seen in middle areas of Sydney with a year on year increase of 1.2% to 4.1% vacancy, followed by outer Sydney (+0.7% to 3.4%) and inner Sydney (+0.3% to 3.0%).

This is the highest vacancy rates in the nation, mainly due to the oversupply of dwellings constructed during the construction boom of 2015-2017. The trend is expected to continue at least in the medium term as the tail end of the supply reaches completion.

## Regional New South Wales

### Newcastle

In Newcastle, the median house price decreased by -2.4% over the year to June 2019, including a 0.8% increase over the quarter to \$600,000. Similarly, the median price for units in Newcastle decreased by -2.4% year on year, however increased 4.9% over the quarter to \$535,500. There were 577 recorded sales over the quarter, with median prices of the lower quartile at \$480,000 and the upper quartile at \$740,000.

Both house and unit rent declined during the June quarter, with units being the lower performer. The two and three bedroom houses in Newcastle recorded a -2.5% and -1.6% decline to \$390 and \$452.5 respectively. Meanwhile, 2 bedroom units in Newcastle saw a quarterly decline of -1.3% to \$395 with 1 bedroom units dropping further to -5.0% over the June quarter to \$285 per week.

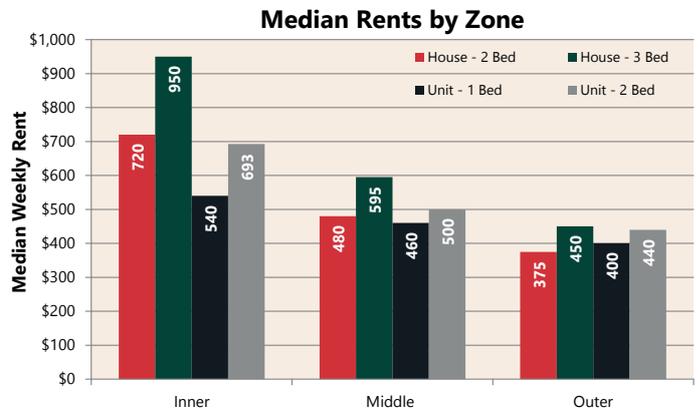


Chart 16— Greater Sydney Median Rents by Zone  
Source: REIA / Preston Rowe Paterson Research

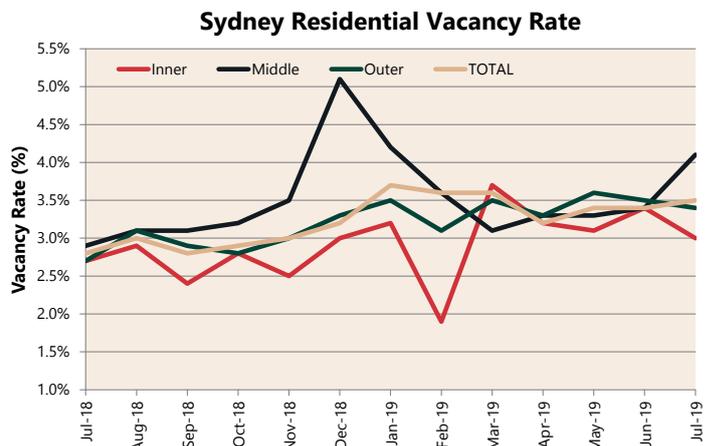


Chart 17— Greater Sydney Residential Vacancy Rate  
Source: REINSW / Preston Rowe Paterson Research

### Wollongong

Over the June quarter, Wollongong's median house prices saw a change in direction with a 1.5% increase to \$675,000, after a year on year decrease of -8.8%. Similarly, units increased 7.1% over the quarter to \$565,000, having decreased -1.2% year on year. There were 580 transacted house sales recorded by the REIA over the quarter, with median sale price of the lower quartile at \$480,000 and the upper quartile at \$740,000.

The median weekly rent for houses in Wollongong shows a year on year decline of -4.8% (to \$400 weekly) for 2 bedroom houses and -1.0% (to \$495 weekly) for 3 bedroom houses. As for units in Wollongong, the median weekly rent for 1 bedroom units remained the same at \$295, while 2 bedroom units declined by -3.8% to \$375 per week.

## Residential Developments

### 102-106 Dunning Avenue, Rosebery NSW 2018



- \$31.8 million
- 2.75% initial Yield
- \$3,213 per sqm FSRA

Local investor LH & JC Investments has purchased an existing warehouse property erected on a near level corner site of approximately 4,948 sqm, which is in the final stages of re-zoning. Current development constraints include a maximum permissible FSR of 2.0:1 or 9,896 sqm FSRA. The property has been sold with a passing income of approximately \$873,919 p.a. net showing a holding return of 2.75%. It is reported that the purchaser proposes a mixed use development based on 120 units, including a mix of affordable housing and retail and commercial spaces based on a GFA of approximately 10,886 sqm.

### 103 Parramatta Road, Annandale NSW 2038

- \$10.3 million
- \$12,826 per sqm site area

Pub and hotel operator *Oscars Hotel Group* has added to its NSW pub portfolio through the acquisition of The Empire Hotel in Sydney's inner west. The hotel is situated on a 803 sqm corner site and comprises 24 hotel rooms, public bar, bistro and 16 gaming machines. Included in the sale was a two level commercial office building situated at the rear of the property.

### 242 Fern Street, Gerrigong NSW 2534



- \$11.3 million
- \$279,357 per hectare site area

A 40.45 hectare landholding looking over the Pacific Ocean on New South Wales south coast has sold to an eastern suburbs investor. Vendor and Ingham chicken heir *Robby Ingram*, sold the property after seven years of ownership. The property sold with development approval for a state of the art house. Gerrigong is located 130km south of the Sydney CBD.

### 26-44 Good St & 59-61 Cowper St, Granville NSW 2142

- \$36 million
- \$6,990 per sqm site area

Chinese backed Sydney developer *Starryland* has returned to the apartment market with the acquisition of a development site in Sydney's west. The company bought the 5,150 sqm site with a finished planning proposal for the project. The development will comprise 374 one, two and three bedroom units. The developer believes the Sydney residential market to be near the bottom and is planning to launch the project in late 2020. Private owners sold the property in an off market transition. Granville is located 22km west of Sydney's CBD.

## Hotels & Leisure Market

### 11 Alan Street, Fairfield NSW 2165



- \$56 million
- \$9,578 per sqm site area

A single level pub, which stands on a 5,847 sqm site, has been acquired by *Iris Capital*. The acquisition of the Cambridge Tavern extends the groups NSW pub spending spree to a total of more than \$160 million over the past nine months. The pub comprises 30 gaming machines and is ranked the 43<sup>rd</sup> most profitable gaming venue according to the latest NSW Department of Industry report. The tavern, which occupies 20% of the site, sold as a freehold going concern.

### 75 The Corso, Manly NSW 2095



- \$65 million
- \$32,500 per sqm site area

Pub industry veterans *John Singleton*, *Athur Laundry*, *Robert Whyte* and investment banker *Mark Carnegie* have sold the **Hotel Steyne** on Manly's beachfront to *Iris Capital*. Since the syndicate of investors took ownership in 2010 for \$27 million, millions of additional dollars have been poured into refurbishing the three level hotel, which sits on a 2,000 sqm site. The refurbishment included adding upmarket venues within the premises such as The Glasshouse with its Gin and Tonic bar.

## Specialised Properties

### 43-47 Frenchmans Road, Randwick NSW 2031



- Service Station
- \$8.25 million
- 2.55% Yield
- \$6,627 per sqm site area

Investors have traded an inner city Shell-branded service station on a record 2.55% initial net yield. Other similarly low yielding service station sales include the 2018 sale of Shell Waterloo on South Dowling Street at 4%. The 1,245 sqm site offers potential for both residential and commercial development, although currently is leased to Viva Energy Australia for a remaining two year with a 5 year option. Viva Energy Australia will have to remediate the site to its highest and best use at the end of its lease term. The auction on the corner allotted property attracted 14 bidders.

## Rural

### Canowindra Aggregation, Cargo Road, Canowindra NSW 2804



- Just over \$21 million
- Approx. \$5,050 per hectare

Billionaire hedge fund manager Michael Hintze has bought The Canowindra aggregation in Central West New South Wales through his company *MH Premium Farms*. Vendor, Macquarie's *Vidris Ag* put the properties up for sale following a strategic review of its portfolio. The aggregation comprises the 3,651 hectare Canomodine on the Belubula River and 536 hectare Elenora. The deal included livestock and a 1,296 megalitre water entitlement from bores and rivers. MH Premium farms will now own and operate a total of 42 properties and 77,000 hectares of farming land across NSW, Victoria and Queensland. The Canowindra acquisitions will be specifically used for prime lamb breeding. Canowindra is located 59km south-west of Orange.

## Property Funds & Capital Raisings

### EG Australian Core Enhanced Fund (ACE)

- \$100 million
- Healthcare Wholesale Property Fund

The *Employees Provident Fund Malaysia*, a \$US200 billion retirement fund for both private sector and non-pensionable public sector employees in Malaysia has taken a \$100 million stake in *Dexus and Commercial & General's Healthcare Wholesale Property Fund*, which was established two years ago. The fund comprises the North Shore Health Hub, which is in the first stages of construction. On completion the health hub will comprise a medical facility anchored by **Ramsey Healthcare and Genesis Care**, who have already agreed to leases for half of the 16,000 sqm building. The commitment by the Malaysian fund will enable the financing of the first stage of the hubs development on Frederick Street in St Leonards. Dexus are hoping to expand the site into a \$1 billion medical precinct, complete with a "medi hotel" and build to rent housing for workers. The fund has a potential development pipeline of \$460 million worth of healthcare assets.

### Elanor Investment Group

The *Elanor Metro and Prime Regional Hotel Fund* have acquired two regional hotel assets for a combined **\$14.5 million**. The two properties are located in the South Australian wine region and are managed by metropolitan and regional hotel operator *1834 Hotels*. Combined both assets traded on a **blended yield of 10.8%** and provide the portfolio with further diversification. Currently the portfolio comprises of 11 hotels including the **Byron Bay Hotel and Apartments, Peppers Cradle Mountain Lodge and several Ibis Styles and Mantra Hotels** in NSW and the ACT. The fund, which commenced in 2017 is valued at circa \$191 million and comprises of 888 rooms in total. In addition, the fund managers have created a new fund to specify in the acquisition of luxury hotels. The fund will operate under the name *Elanor Luxury Hotel Fund*, which launched with the acquisition of two premium Adelaide hotels. Both the **Mayfair Hotel Adelaide and Adabco Boutique Hotel** were purchased for a **combined \$99 million**, representing the investor group's shift away from retail property investment.



## Our Research

At Preston Rowe Paterson we take pride in the extensive research we prepare for the market sectors within which we operate in. These include Commercial, Retail, Industrial, Hotel and Leisure and Residential property markets, as well as Infrastructure, Capital, Asset, Plant and Machinery markets.

## We have **property** covered.

## We have **clients** covered

Preston Rowe Paterson acts for a diverse range of clients with all types of property needs, covering real estate, infrastructure, asset, plant and machinery interests, these include:

- Accountants, auditors & insolvency practitioners
- Banks, finance companies & lending institutions
- Commercial & residential non-bank lenders
- Co-operatives
- Developers
- Finance & mortgage brokers
- Hotel owners & operators
- Institutional investors
- Insurance brokers & companies
- Investment advisors
- Lessors & lessees
- Listed & private companies & corporations
- Listed & unlisted property trusts
- Local, state & federal government departments & agencies
- Mining companies
- Mortgage trusts
- Overseas clients
- Private investors
- Property syndication managers
- Real Estate Investment Trusts (REITS)
- Rural landholders
- Solicitors & barristers
- Sovereign wealth funds
- Stockbrokers
- Superannuation funds
- Trustee & custodial companies

## We have **real estate** covered

We regularly provide valuation, advisory, research, acquisition, due diligence management, asset and property management, consultancy and leasing services for all types of Real Estate, including:

- Metropolitan & CBD commercial office buildings
- Retail shopping centres & shops
- Industrial, office/warehouses & factories
- Business parks
- Hotels (accommodation) & resorts
- Hotels (pubs), motels & caravan parks
- Residential developments projects
- Residential dwellings (houses/apartments/units)
- Property Management
- Rural properties
- Hospitals & aged care
- Special purpose properties
- Extractive industries & resource based enterprises
- Infrastructure including airports & port facilities

## We have **asset, plant and machinery** covered

We regularly undertake valuations of all forms of asset, plant and machinery, including:

- Mining & earth moving equipment/road plant
- Resort & accommodation, hotel furniture, fittings & equipment
- Office fit outs & equipment
- Farming equipment
- Transport equipment
- Industrial/factory equipment
- Licensed club furniture, fittings & equipment
- Building services equipment (lifts, air conditioning, fire services & building maintenance equipment)

## We have your **needs** covered

Our clients seek our property (real estate, infrastructure, asset, plant and machinery) services for a multitude of reasons, including:

- Acquisitions & Disposals
- Alternative use & highest and best use analysis
- Asset Management
- Asset Valuations for financial reporting to meet ASIC, AASB, IFRS & IVSC guidelines
- Compulsory acquisition and resumption
- Corporate merger & acquisition real estate due diligence
- Due Diligence management for acquisitions and sales
- Facilities management
- Feasibility studies
- Funds management advice & portfolio analysis
- Income & outgoings projections and analysis
- Insurance valuations (replacement & reinstatement costs)
- Leasing vacant space within managed properties
- Listed property trust & investment fund valuations & revaluations
- Litigation support
- Marketing & development strategies
- Mortgage valuations
- Property Management
- Property syndicate valuations & re-valuations
- Rating and taxing objections
- Receivership, Insolvency & liquidation valuations & support/advice
- Relocation advice, strategies and consultancy
- Rental assessments & determinations
- Sensitivity analysis
- Strategic property planning

## We have all **locations** covered

From our capital city and regional office locations we serve our client's needs throughout Australia. Globally, we have three offices located in New Zealand, as well as associated office networks located in the Asia-Pacific region.



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### Associated office networks throughout:

**China** via China Appraisal  
<http://www.appraisalchina.com/>

**Japan** via Daiwa Realty Appraisal  
<http://daiwakantei.co.jp/eng/about>

**Thailand** via Capital and Co.  
<http://www.cpmcapital.co.th/>

**Philippines** via Cuervo Appraisal Incorporated  
<http://cuervoappraisers.com.ph/>





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Property Consultants  
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